

mobile banking

Dutch-Bangla Bank Mobile Banking Banking For The Unbanked

Why and how DBBL pioneered Mobile Banking

The mobile banking system of Dutch-Bangla Bank Limited (DBBL) was inaugurated on May 31, 2011 by the Governor of the Central Bank of Bangladesh where the CEO of Banglalink and COO of CityCell (two mobile operators that are also the partners of DBBL in this venture) were present. Dutch-Bangla Bank Mobile Banking is Bangladesh's first initiative to support financial inclusion.

In Bangladesh, banking was traditionally branch-based. Customers needed to come to bank branches for banking transactions

especially for payments or withdrawals. Mass-scale deployment of ATMs since 2004 by Dutch-Bangla Bank facilitated banking services for customers by making them available at their nearby locations. However, due to special requirements such as regular cash feeding from a nearby branch – the ATM booths could not be installed in the remote and rural areas of Bangladesh (as there are no bank branches in these areas). The setup of branches is not feasible in the rural areas of Bangladesh as the amount of deposit and loans & advances in the rural areas do not earn sufficient revenue for the branch to become feasible.



Inauguration of DBBL Mobile Banking at a Banglalink agent point. Present at the inauguration was the Honorable Governor of Bangladesh Bank, Dr. Atiur Rahman, CEO of Banglalink Mr. Ahmed Abu Doma and Chairman of the EC of the Board of DBBL, Mr. Sayem Ahmed and Mr. K.S. Tabrez, MD of Dutch-Bangla Bank.

In addition, traditional banking is very costly for rural customers – they need to pay numerous charges such as half-yearly service charge, annual card charge, government charges and online charge (outstation transaction charge). Customers also need to maintain a minimum balance in their accounts which tends to be difficult for rural customers.

Moreover, most of the rural people are not educated and thus cannot write cheques or sign them. This

barrier for the unbanked has been bypassed by DBBL's Mobile Banking through which the customer can use their mobile phone to authenticate a transaction by typing their secret PIN (instead of having to write a cheque and signing it); if the combination of the PIN and the customer's mobile phone number is correct, the transaction is passed.



Inauguration of DBBL Mobile Banking at a Citycell agent point. Present at the inauguration was the Honorable Governor of Bangladesh Bank, Dr. Atiur Rahman, COO of Citycell Mr. David Lee, Chairman of the EC of the Board of DBBL, Mr. Sayem Ahmed and Mr. K.S. Tabrez, MD of Dutch-Bangla Bank.

Due to the absence of the appropriate system to address all the above issues, the rural, unbanked people of Bangladesh remained isolated from banking facilities and services. Until the launch of DBBL's Mobile Banking system on May 31, 2011, there were no means through which to deliver banking services to the rural, destitute, unbanked people of Bangladesh.

A total of 450 new employees joined the Mobile Banking Division of DBBL and were posted in different parts of Bangladesh. 151 small offices in the rural areas of Bangladesh were leased and employees were posted

in these offices. In each of these offices, a large number of mobile banking agents were nominated who, on behalf of DBBL, pay cash to the customers and receive deposits from them. These agents are normally small business owners (e.g. small shop owners or retailers).

Ways to Financial Inclusion - Mobile Banking

It is evident that financial inclusion is a necessity that will lead to the development of the rural economy of Bangladesh. But how to bring rural marginal savers under the umbrella of the formal banking system remains a challenge. Efforts have been made by NGOs using microfinance as a tool of financial inclusion to

meet the credit requirement of the people. But sufficient emphasis has not given to bring the marginal savers under the purview of the formal banking system. Despite a large number of bank branches and microfinance institutions in our country a large segment of our population – particularly rural, poor people – have scant access to banking services. High transaction costs significantly inhibit the commercial banks from the expansion of financial services to the poor – especially those residing in rural and sparsely populated areas.

Recent advances in technology such as mobile telephones, point-of-sale devices, and low-cost automated teller machines (ATMs) offer great potential for overcoming this barrier to the provision of financial services to the poor.

Many initiatives have been taken by various countries toward Financial Inclusion but DBBL has recognized that mobile banking is the best way for the developing countries like Bangladesh. In Bangladesh more than 55% people own mobile phones but only 13% people have a bank account. So DBBL Mobile Banking can bridge the gap of unbanked people through mobile banking. Mobile banking is the way to branchless banking that provides financial services to the unbanked communities efficiently and at an affordable cost.

When mobile banking technology is appropriately used, financial institutions no longer have to open numerous brick-and-mortar branches to provide and expand services. Moreover, mobile banking models can significantly reduce client and provider transaction costs compared to conventional banking models.

Regulatory approval to DBBL

Depending on the operation, responsibility and relationship with the customer mainly two types of mobile financial services are followed worldwide: bank-led and non-bank-led.

In a bank-led model each bank is responsible for its customers, known as KYC (Know Your Customer), and the bank is the custodian of each customer's money

and customer information. This model is the predominant and preferred model worldwide.

In a non-bank-led model the KYC responsibility, the customer's money and information lies with an organization that is not a commercial bank and as such, is not under the authority of a regulator (Bangladesh Bank). This model is used by some African countries.

Banks are experienced in ensuring proper KYC of the customer. Internal auditors and auditors from the central bank periodically check the compliance of KYC requirement.

For hundreds of years, banks have been trusted as custodians of deposits. The central bank/regulator has many mechanisms and regulations to ensure that a bank will be able to pay a customer's money back upon the customer's request. Such mechanisms include maintaining proper liquidity, CAR (Capital Adequacy Ratio), CRR (Cash Reserve Requirements) and SLR (Statutory Liquidity Ratio) by the respective banks. These requirements of the central bank help to keep the health of a bank in good condition and protect the depositor's interest.

Maintaining secrecy of the customer's information, nature of transactions and balance in the account, is a mandatory requirement of a bank. This is why no bank can afford to keep its customer database in shared software or a software system installed and maintained by a third party.

However, there were some debate in Bangladesh regarding the model which should be followed for mobile banking: bank-led or non-bank-led? Bangladesh Bank has concluded this debate for mobile banking in Bangladesh. Bangladesh Bank clearly states in its "Guidelines on Mobile Financial Services (MFS) for the Banks" that "... from legal and regulatory perspective, only the bank-led model will be allowed to operate".

In the year of 2010, Bangladesh Bank issued licenses to 12 commercial banks including Dutch-Bangla Bank to perform mobile banking activities in Bangladesh. For the first time in Bangladesh, DBBL launched the bank-led mobile banking services on 31 March, 2011.

Inauguration of DBBL Mobile Banking

March 31, 2011 was a historic day for the banking sector of Bangladesh as DBBL inaugurated Bangladesh's first mobile banking. The inauguration was done at the retail locations of Banglalink and Citycell. Present at the inauguration were the Honorable Governor of Bangladesh Bank and chief guest Dr. Atiur Rahman, Chairman of the Executive Committee of the Board of Directors of DBBL Mr. Sayem Ahmed, CEO of Banglalink Mr. Ahmed Abu Doma, COO of Citycell Mr. David Lee, Managing Director of DBBL Mr. K.S. Tabrez, Deputy Managing Director of DBBL Mr. Abul Kashem Md. Shirin and other high Officials from both the organizations.

After receiving approval from Bangladesh Bank, Dutch-Bangla Bank managed to launch mobile banking in a very short time span and became the foremost mobile banking service provider in Bangladesh.

Commercial Launching

DBBL Mobile Banking began commercial operation on May 15, 2011. The pilot project made mobile banking available in 34 upazillas of 6 Districts and in Dhaka City. From May 15, 2011 customers were able to open Mobile Accounts and carry out transactions such as Cash-in (deposit) and cash-out (withdraw) at all the designated agent points of DBBL and at DBBL branches.



Initially the mobile banking operation was delivered using the communication and agent network of Citycell and Banglalink. The service was later extended through the use of the communication and agent network of airtel. The UISCs (Union Information and Service Centers) were also included as DBBL agents to deliver mobile banking services to the unbanked.

Present Products & Services

DBBL Mobile Banking has launched the following Product & Services for its customers during the year 2011:

- Customer registration
Customers can open a DBBL Mobile Account with an initial deposit of Taka 100/- (One Hundred) only from any agent point of DBBL.
- Cash-in (Cash Deposit)
Customers can Cash-in (deposit money) at any authorized agent of DBBL or any DBBL Branch.
- Cash-Out (Cash withdrawal)
Customers can Cash-out (withdraw money) from any authorized agent point of DBBL or DBBL Branch.

- Foreign Remittance
 - Expatriate Bangladeshis can send foreign remittance from any nominated Exchange House of Dutch-Bangla Bank and other Bangladeshi banks located all over the world. The remitted money will be transferred to the beneficiary's Mobile account within 24-72 hours (24 hours in the case of DBBL Exchange House). The account number in this case is the mobile number + check digit.
- Salary/Allowance Disbursement
- Corporate office can disburse the salary of their employees and Government can disburse different government allowances such as elderly allowance, freedom fighter allowances etc. to the people within a few moments in a hassle-free way.
- Balance Inquiry
- Customers can check their mobile account balance using the Balance Inquiry option of DBBL's mobile banking system.
- Statement Inquiry
- Statement inquiries can be made using the Statement Inquiry option of DBBL's mobile banking system.
- Future DBBL Mobile Banking Services
- In the year 2012, Dutch-Bangla Bank will launch the following services for Mobile Banking:
 - Air-time Top-up
 - The mobile account holder will be able to recharge/top-up their own or other mobile phone balance using their own mobile account. This will help the customer to get their mobile balance in a hassle free way on a 24/7 basis.
 - P2P Fund transfer
 - The money transfer from one registered mobile account to another registered mobile account is called P2P transfer. This is a very useful feature of the mobile banking through which customers will be able to remit their

funds to another registered account holder. As per the Bangladesh Bank guidelines a mobile account holder will be able to transfer a maximum of Tk.10,000/- per day and a maximum of Tk.25,000/- per month.

- Merchant Payment
- A mobile account holder will be able to make payments to a merchant (registered) from their mobile account for the purchase of any goods or services.
- Utility Payment
- The DBBL Mobile Account holder will be able to pay utility bills from their own mobiles for services of Utility services providers who have payment arrangements with DBBL.
- Withdrawal from ATM
- Dutch-Bangla Bank has 1,940 ATMs all over Bangladesh. These ATMs provide 24-hour banking services to DBBL customers. In the year 2012 DBBL will open the ATMs to mobile accounts so that mobile account holders will be able to withdraw money from their mobile account without using a card.

Geographical Coverage

In the pilot phase, mobile banking services were made available in 34 Upazilas of 6 Districts of Dhaka Division. The districts are:

- Dhaka
- Narayangonj
- Norshingdi
- Gazipur
- Manikgonj
- Munshigonj

In September 2011, the first phase of the commercial operation of DBBL Mobile Banking was started in 18 districts, covering greater Sylhet, Mymensingh, Comilla, Noakhali and Chittagong regions. The districts are:

- Sherpur
- Jamalpur
- Tangail
- Mymensingh
- Netrokona

- Kishorgonj
- Sylhet
- Sunamgonj
- Moulvibazar
- Hobigonj
- Comilla
- B. Baria
- Chandpur
- Noakhali
- Feni
- Laksmipur
- Chittagong
- Cox's Bazar

In 2012, the second and final phase of the DBBL Mobile Banking operation will cover the rest of the country which will include the following regions:

- Rangpur
- Rajshahi
- Khulna
- Barisal
- Faridpur

Mobile Banking Offices at Upozilla - Support to Infrastructure development:

While mobile banking activities will be carried out by the agents, the presence of DBBL offices and officers at Upazilla level will give more confidence to the customer. As the bank is



solely responsible for verification of KYC (Know Your Customer) for its customer, the officials are required at Upazilla level to verify the KYC of the customers. The

officers are also required to supervise the agents for dispute management, market development and customers' data entry.

In 2011, DBBL established 151 offices in different upazillas of 24 districts. These offices are fully equipped with computers, scanners, printers and other IT equipment. During the year of 2012, another 220 new offices will be leased in the north-south region of the country.

The setup of DBBL Mobile Banking Offices in Upazilla level creates jobs for the local people and opportunities for landlords to build and rent their buildings to the banks.

Employment Generation for Rural Bangladesh:

Mobile banking stands to have a positive impact on lowering the unemployment rate of Bangladesh. Thousands of educated people are searching for jobs after their graduation from university. As DBBL Mobile Banking has expanded the operation at the grass roots level, it has generated a huge employment opportunities for the local people. In the year 2011, 416 employees were recruited and posted in different Upazilla Offices. In 2012, another 650 employees will be recruited and posted in different Upazillas. In the years to come, DBBL will expand the mobile banking services at the Union/Territory level and 18,000 employees will be recruited to support the mobile banking operations of DBBL.

DBBL also engages thousands of agents for its mobile banking which has created employment opportunities in rural areas.

Agent partners & Agent network

Key to the success of many innovative models of financial service provision is the formation of partnerships between financial service providers and non-financial service providers, such as mobile telephone companies and agents. Increasingly, third-party outlets or banking agents, such as post offices and retail outlets are being used to link potential clients to banking services. A bank's agent can provide most of the services with the help of new technology, enabling

the rapid expansion of financial services in areas where previously no banking services were available.

Therefore, agent network is one of the vital aspects for running mobile banking within an emerging developing country like Bangladesh to facilitate financial inclusion at grass root level. At the end of 2011, Dutch-Bangla Bank Mobile Banking had an extensive agent footprint in 24 districts through the partnerships with different industry stakeholders including government and private entities such as Local Government



A Banglalink Agent



A Citycell Agent

Division (LGD), Access to Information (A2I), Mobile Network Operators (MNOs), Courier Services and Third Party Agents. Gradually, the agent points will be increased to provide the banking services to the door step of the people.

Government Service through Mobile Banking

Dutch-Bangla Bank Mobile Banking is committed to reinforce the socio-economic infrastructure of Bangladesh facilitating various government services to

the people at their maximum convenience. The scope for government services can be defined as but not limited to the following examples:

I Government to Person (G2P) Payments: Elderly Allowances, Freedom Fighters' Allowances, Farmers' Subsidies etc.

At present, the government has to disburse allowances or make a payment to the beneficiary using manual banking process which is a cumbersome process and sometimes good governance is not ensured. Mobile banking will resolve all these problems and transaction will be faster and transparent.

I Person to Government (P2G) Payments: Tax Payments, Utility Bills Payments, Trade License Renewal Fee Payments etc.

People have to face various problems when they are making a payment to the government. Mobile banking will brush aside all these problems, in this process people don't need to travel 30-60 minutes to go to the bank and wait another 30-60 minutes in the queue at the bank counter. Using the Dutch-Bangla Bank Mobile Banking, people will be able to make their payments from their mobile accounts.

Agent Training

As with other businesses, lacking proper knowledge and training in mobile banking would leave agents unable to run this business effectively and efficiently. DBBL has emphasized agent training; before engaging a retailer/shop owner as a DBBL Mobile Banking Agent, DBBL conducts an intensive training program for them.



An UISC (Union Information & Service Centre) Agent



Agent training Program



UISC Agent training Session

Customer Awareness

Since mobile banking is a new concept for Bangladesh, creating customer awareness is key to the success of the journey on this unpaved road. Dutch-Bangla Bank is carrying out various awareness activities to promote its mobile banking, targeting the mass unbanked people of the country.

DBBL mobile banking has the largest sales group of permanent employees who are doing various Door-to-Door (D2D) marketing campaigns as a part of the customer awareness program. In



Customer awareness Program

addition to this, different newspaper ads as well as television commercials are running on a regular basis. Dutch-Bangla Bank, as a technology leader in Bangladesh, has also participated in different national fairs such as DITF-2011, Digital Innovation Fair-2011 and eAsia-2011.



DBBL Booth at Digital Innovation Fair 2011



DBBL Mobile Banking is secured

Security is the main issue on the part of the customer for making banking transactions with a commercial Bank. DBBL Mobile Banking is highly secured as it uses either USSD or SMS + IVR as its communication channel. In case of USSD, both the instruction and PIN are communicated using USSD channel while in case of SMS + IVR, instructions are sent via SMS and PIN via IVR (voice channel). Both the USSD and Voice channels are secured for transmission of PIN.



DBBL Mobile Banking is ensuring the end to end transactional security through data encryption, Personal Identification Number (PIN) as well as a unique human error prevention technique named “Check Digit”.

The correct PIN has to be entered from the corresponding SIM card, which ensures a 2 factor authentication.

Being mobile phone number is a publicly known, there must have some security to maintain the mobile bank account number as a private identity. In reference to this concern DBBL has come up with a unique concept of “Check Digit” which helps customers to take guard against suspicious transaction their account. Without knowing a customer’s check digit, no one will be able to deposit money at their account. It also eliminates the chance of wrong transaction due to typing error from mobile handsets.



Customers are required to input a four (4) digit PIN during cash-out transaction from an agent/branch/ATM. PIN ensures security of customer’s money and protects against fraudulent transactions.